

Debt burden has reached a crescendo

IT would be pertinent to have a closer look at Sri Lanka's economy before a meaningful discussion is had on the debt burden.

A small country with a population of 20 million and a work force of about 40% has had to fight a devastating terrorist war for three decades. The war inflicted a massive economic damage and all the resources of the country were spent on defeating the ruthless terrorists who were once called freedom fighters and turned into a bunch of terrorist with a motive to rule a part of Sri Lanka through means of violence.

There have been economic policies adopted by successive governments but no meaningful effort was made to create an economy that would produce self-sufficiency; instead the country became more dependent on overseas supplies than ever before.

In 2001, Sri Lanka faced imminent bankruptcy, as the debt burden had reached up to 101% of GDP; the situation was averted with the change of government from the People's Alliance (PA) to the United National Party (UNP) once again.

The then Prime Minister, Ranil Wickremesinghe, had the wisdom, foresight and courage to broker a ceasefire deal with LTTE. This respite in war provided him with time to secure additional funds to resurrect the battered economy.

There were of course plenty of critics at that time questioning the merits of entering into a Ceasefire Agreement with the LTTE, but none foresaw the defection of Karuna from the LTTE, which in military terms was a decisive turning point which led to the drastic decline in the LTTE's military strength.

Fiscal management responsibility report

The Fiscal Management (Responsibility) Report 2013 shows that in 2012, government debt stood at 78% GDP. The same report shows that exports had reached US\$ 10,560 m in 2011 and the second half of 2012 shows US\$ 4,965 m.

The Government is ambitious in attracting FDI's and has in fact been successful in attracting major players. The landscape of Colombo will see a definite change when the investments thus far secured realise their full potential.

The domestic issues have had a



Real economic development requires a holistic approach that would encompass all sectors of the economy. It is not just carpeting roads but a question of prioritising public expenditure. Over-investment in public infrastructure would have a negative impact on the Government's ambitious role in real economic development – Pic by Sameera Wijesinghe

dent in attracting further investments. The deterioration of rule of law is a key factor and the expropriation of private assets also caused some embarrassment to the Government in attracting FDI's. Rule of law is also important to attract tourists, a potential high income generating industry.

There has to be a holistic approach to GSP+ and other policy considerations to resurrect the garment industry. The Chambers of Commerce have a moral responsibility to advance the cause of their members by vigorously lobbying the Government over policy changes required to compete with the ever-competitive world market.

The Chambers of Commerce cannot sit idly; they must take the Government to task and seek solutions for the hurdles that stunt the growth of industries. Even Bangladesh came under US scrutiny as there have been concerns over work safety after a series of disasters in the garment sector.

There is a long way to go and Government must as a priority trim the massive Cabinet of Ministers as the moral factor of keeping such a privileged lot on public funds would tend to cause anger among the suffering population. The masses have sacrificed a lot in an effort to secure a military victory against the LTTE and they too now require a respite in economic terms but instead the Government keeps on heaping burdens on the suffering population. The electricity price hike is unbearable for the common man.

There are other sectors of the economy that require closer scrutiny. There has to be an immediate stop to extravagant expenditure and money should be channelled to the areas where money is urgently needed.

The health sector needs money for improvements in deteriorating public health facilities. The academic community is highly disillusioned over budget allocations for the educational sector as they are of the view that the required investments in higher education are far below the standard.

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public infrastructure would have a negative impact on the Government's ambitious role in real economic development.

The fiscal responsibility report itself provides a bleak picture. It says: "The recovery of the global economy is facing renewed headwinds. The global growth prospects have deteriorated and growth projections for all major regions have been adjusted downward. Only a gradual strengthening of activity is expected in the medium term. Inflationary pressures have been declining and high unemployment in many parts of the world brings huge costs to individuals and societies. The implementation of a credible medium-term fiscal consolidation plan, particularly in some of the major advanced economies, has been highlighted as an important element in restoring sentiment and confidence."

This proves that the Government has got to curtail its public expenditure to a very large extent if it really wants to see an improvement in its economic forecasts.

War victory and the post war economy

The Wickremesinghe administration pursued peace and the LTTE accused Wickremesinghe of casting an international net against

the LTTE and went on to call him a "cunning fox," a far cry from Wimal Weerawansa branding him "a Don Juan Dharmapala".

The Rajapaksa administration pursued the war and routed the LTTE on the ground and dismantled the complete organisational structure of the LTTE, which is quite extraordinary. The Rajapaksa administration was able to keep India solidly behind the Government war effort and warded off other pressure from West and it was yet another diplomatic victory.

Four years have gone by since Victory Day; the economy of Sri Lanka does not show much hope as the debt burden keeps mounting beyond tolerable levels.

There has been a marked decline in our exports. Export performance is the only hope for mitigating our debt burden and if exports flounder, it would be detrimental to the economy. Public expenditure too must be curtailed and investments in infrastructure must be carefully chosen.

There is an urgent need to appoint a Presidential Commission of Inquiry into the workings of Ceylon Petroleum Corporation and yet another for the Ceylon Electricity Board. The conflict between these two institutions has caused ripples and borders on the Government's reputation and sovereign ratings.

There has to be a solution to wriggle these two sick institutions out from the current quagmire. A panel of experts appointed to the Presidential Commission of Inquiry would then be in a position to get to the bottom of the issues and recommend means of recovery. This writer believes that the Government must merge these two institutions under the State Energy Board and bring under the supervision of one minister so that a conflict could be averted.

Munificence of China

The Government seems to be relying on the munificence of China. The funds so secured must be meaningfully invested so that benefits would be reaped by our future generations. There has not been adequate transparency in the loans secured from China and its potential merits.

Successive governments have secured massive loans to build the Mahaweli Development Scheme, but has the potential been fully realised? In similar vein, one could argue as to whether we have fully utilised the loans secured from China for our future or pawned and bound the future gen-

erations to repay these loans.

Securing loans from the World Bank, Asian Development Bank, IMF or China is an economic strategy and what is required is the meaningful utilisation of loans for the country's future benefit.

China has been supportive of Sri Lanka for decades and has contributed immensely to our country. The geopolitical factors have changed drastically and China is in search of allies all over the world to posture its hegemony in areas where China has little influence. The 'String of Pearls' strategy is one such strategy which Sri Lanka must not fall prey to.

The global order is fast changing and Japan, one of Sri Lanka key allies, seems to have taken the rise of China seriously and shifted its foreign policy. The Times of India reported that "despite Beijing's fulminations, India and Japan lifted their strategic convergence to a new level by vowing to work together for ensuring stability in the Asia-Pacific region in the face of growing muscle-flexing by China. As Japan pledged financial assistance for big-ticket projects like the Chennai-Bangalore industrial corridor and third line of Mumbai Metro and displayed willingness for early conclusion of India's effort for civil nuclear cooperation, Prime Minister Manmohan Singh and his Japanese counterpart Shinzo Abe spoke of a partnership of the two democracies against use of force to change the order in Asia: diplomatic shorthand for Chinese attempt to arm-twist Japan and other nations into making territorial concessions."

Since India is our closest neighbour and has had cultural ties spanning to three millennia, we cannot ignore the concerns of India when China is making its presence felt in Sri Lanka. A cautious approach to our foreign policy would determine the balance that should be struck without undermining the stakes of the other. Let all dealings with China be transparent so that India's fears can be allayed.

(The writer is a freelance journalist and a political lobbying and government affairs consultant. He is also a member of the American Association of Political Consultants.)



Letters to the Editor
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Rates and taxes – discounts

AT present, 10% and 5% discounts are allowed when annual and quarter rates are paid during the first month respectively. I am pleased to hear that Colombo Municipality has announced that 10% would be increased to 15% with effect from 2014. Similarly, 5% discount would be increased accordingly. This is a recognition given to rate payers who always pay their statutory dues early. Congratulations.

I make the following suggestions:

- 1) 5% discount for quarterly taxes be increased to 10%.
- 2) 15% discount could be allowed with effect from 1.1.2014, but 10% could be allowed with effect from 1.7.2013 (quarter ending 30.9.2013 also included).
- 3) Resolution confirming discounts for quarterly rates could be passed even after 31.7.2013 but it should have retrospective effect for payments made during July 2013.
- 4) All Municipal, Urban and Village Councils should follow this style, so that rate payers enjoy this concession island-wide.

I expect a press notification from Colombo Municipal Council soon.
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Police powers of Provincial Councils

By R.M.B. SENANAYAKE

THE Minister of Economic Development has said that the Government will not agree to the devolution of Police powers to the Provincial Councils because it could lead to the creation of a separate Tamil Army.

According to the 13th Amendment, only limited Police powers are given to the Provincial Council.

Here is the relevant clause in Appendix I

APPENDIX I Law And Order

1. The subject devolved shall be described as follows:

Public Order and the exercise of Police powers as set out in this Appendix within the Province, but not including:

- (a) national defence;
- (b) national security; and
- (c) the use of any armed forces or any other forces under the control of the Government of Sri Lanka in aid of the civil power.

Doesn't 1(c) prohibit the creation of any such Army legally? If attempts are made to create such an army illegally, doesn't the Central Government have enough power under 1 (a) and (b) of this Appendix?

There is also the power given to the Central Government to declare an Emergency under (3A). In the Ninth Schedule to the Constitution given below:

LIST I (Provincial Council List)

1. Police and public order – Public order and the exercise of Police powers, to the extent set out in Appendix I, within the Province, but not including national defence, national security and the use of any armed forces or any other forces under the control of the Government of Sri Lanka in aid of the civil power, and not including the city of Colombo, Sri Jaywardenepura Kotte, and their environs the limits of which shall be specified by the President by Order published in the Gazette.

"3A) Nothing in the preceding provisions of this Constitution shall be deemed to prohibit the making of emergency regulations under the Public Security Ordinance or the law for the time being in force relating to public security, with respect to any matter set out in the Ninth Schedule or having the



effect of overriding, amending or suspending the operation of a statute made by a provincial Council."

The Provincial Councils are given only limited powers and the following crimes can be investigated only by the National Police as set out in the Schedule below

SCHEDULE

List of Offences to be

investigated by the National Police

1. Offences against the State.
2. Offences relating to the Navy, Army and Air Force.
3. Offences relating to the Elections.
4. Offences relating to Coins, Currency and Government Stamps.
5. Any Offence commit-

ted against the President.

6. Any Offence committed against a Public Officer, a Judicial Officer, or the Speaker, or the Prime Minister or a Minister, or a Member of the Judicial Service Commission, or a Member of the Public Service Commission or a Deputy Minister or a Member of Parliament or

the Secretary General of Parliament or a Member of the President's Staff or a Member of the Staff of the Secretary General of Parliament.

7. Any Offence relating to property belonging to the State or a State Corporation or Company or Establishment, the whole or part of the capital whereof has been provided by the State.

8. Any Offence prejudicial to National Security or the maintenance of Essential Services.

9. Any Offence under any law relating to any matter in the Reserve List other than such offences as the President may, by order published in the Gazette, exclude.

10. Any Offence in respect of which Courts in more than one Province have jurisdiction.

11. International Crimes. National policemen are also stationed in the province but not in uniform except where they are performing the duty of restoring or maintaining public order. So it is not as if there is any no go zone in the province with respect to police functions.